

**CITY OF OSKALOOSA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**June 30, 2007**

# CITY OF OSKALOOSA

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# CITY OF OSKALOOSA

## CITY OFFICIALS

June 30, 2007

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Dixon . . . . .	Mayor . . . . .	Jan 2008
Pamela Blomgren . . . . .	Council Member . . . . .	Jan 2008
Eric Palmer . . . . .	Council Member . . . . .	7/1/06 - 12/31/06
Keith Garrett . . . . .	Council Member . . . . .	1/2/07 - 4/2/07
Michael Stout . . . . .	Council Member . . . . .	Jan 2008
Jimmy Carter . . . . .	Council Member . . . . .	Jan 2010
Janet VanDerBeek . . . . .	Council Member . . . . .	Jan 2010
Aaron Ver Steeg . . . . .	Council Member . . . . .	Jan 2010
Wesley Wills . . . . .	Council Member . . . . .	Jan 2010
Lori Smith . . . . .	Council Member . . . . . (Started - 4/2/07)	Jan 2008
Donald Sandor . . . . .	City Manager . . . . .	Indefinite
Marilyn Miller . . . . .	City Clerk - Finance Director . . . . .	Indefinite
Randy DeGeest . . . . .	City Attorney . . . . .	Indefinite
Elizabeth Finarty . . . . .	City Engineer	
David Neubert . . . . .	Public Works Director	
Vacant . . . . .	Community Development Director	
Francis Glandon . . . . .	Fire Chief	
John McGee . . . . .	Police Chief	
Suzann Holland . . . . .	Library Director	



## MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
4949 Pleasant Street, Suite 104  
West Des Moines, Iowa 50266

(515)-223-4841  
FAX: (515)-223-0851

### **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oskaloosa, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Oskaloosa's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Oskaloosa, as of June 30, 2007 and the respective changes in cash basis financial position thereof for the year ended June 30, 2007 in conformity with the basis of accounting described in Note 1.

However, the primary government financial statements, because they do not include the financial data of component units of the City of Oskaloosa, do not purport to, and do not present fairly, respective cash basis financial position and respective changes in cash basis financial position of the City of Oskaloosa, as of June 30, 2007, in conformity with the basis of accounting described in Note 1. Separate audit reports are issued by the respective component units.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2007 on our consideration of the City of Oskaloosa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 5 through 11 and the budgetary comparison information on pages 32 through 33 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the primary government financial statements that collectively comprise the City of Oskaloosa's basic financial statements. The financial statements for the three years ended June 30, 2006 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the primary government financial statements. Such information has been subjected to the auditing procedures applied in our audit of the primary government financial statements, and in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

The information identified in the table of contents as miscellaneous statistical data is presented for purposes of additional analysis and is not a required part of the primary government financial statements. This information has not been subjected to the auditing procedures applied in the audit of the primary government financial statements and, accordingly, we express no opinion on it.

*Martens & Company, CPA, LLP*

West Des Moines, Iowa  
October 12, 2007

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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It is an honor to present to you the financial activities of the City of Oskaloosa, Iowa. We offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Oskaloosa, Iowa for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### FINANCIAL HIGHLIGHTS

- The cash and investments of the City at the close of the most recent fiscal year are \$8,593,466 compared to \$6,789,906 as of June 30, 2006.
- The government's total cash and investments increased by \$1,803,560.
- The City's total long-term debt, excluding compensated absences, increased by approximately \$767,000 during fiscal year ended June 30, 2007.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This Discussion and Analysis is intended to serve as an introduction to the City of Oskaloosa's financial statements. The City's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

**Government-wide financial statements** - The government-wide financial statement is designed to provide readers with a broad overview of the City's finances. The statement of activities and changes in cash and investment balances presents information showing how the City's cash and investment balance changed during the most recent fiscal year.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, community and economic development, capital projects and debt service. The business-type activities of the City include the sanitary sewer, airport, Edmundson Golf Course, stormwater and RACI Main Street loans.

The government-wide financial statements include only the primary government of the City.

**Fund financial statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statement. Governmental fund information determines whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The City maintains numerous governmental funds. Information is presented separately in the statement of cash receipts, cash disbursements and changes in cash and investment balances for each major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary funds** - The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The City maintains five enterprise funds. The proprietary fund financial statements provide separate information for the Sanitary Sewer Fund, as this fund is considered to be a major fund of the City. Data from the other four enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non major enterprise funds is provided in the form of combining statements elsewhere in this report.

Internal service funds are an accounting device used to accumulate and allocate internally among the City's various functions. The City maintains two internal service funds.

**Notes to financial statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented immediately following the notes to financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, the City reports the activities of the funds using the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The City does not report capital assets or depreciation on those assets as would be required by GAAP.

Table 1 highlights the City's receipts and disbursements for the fiscal years ended June 30, 2007 and 2006.

Receipts are further divided into two major components: program receipts and general receipts. Program receipts are defined as charges for services and sales, operating and capital grants and contributions. General receipts include taxes and other unrestricted revenue sources.

The City's cash balance for governmental activities increased from a year ago from \$4.9 million to \$6.7 million. Our analysis below focuses on this change in cash balance and changes in receipts and disbursements from the prior year.

The City's total receipts for governmental activities increased by 26.9 percent or \$2.24 million. The total disbursements of all programs and services decreased by approximately \$497,000 or 5.4 percent with no new programs added this year. The significant increase in receipts was primarily the result of bond proceeds that were issued in this year for capital projects. The decrease in disbursements was primarily the result of new capital projects not started until late in the fiscal year.

Table 1 - City of Oskaloosa's Changes in Cash and Investment Balances  
(Expressed in Thousands)  
Year ended June 30, 2007

	Governmental Activities 2007	Business Type Activities 2007	Total 2007
Receipts:			
Program receipts:			
Charges for service	\$ 606	\$ 1,702	\$ 2,308
Operating grants, contributions and restricted interest	1,721	-	1,721
Capital grants, contributions and restricted interest	156	527	683
General receipts:			
Property taxes	3,880	-	3,880
Other taxes	1,643	-	1,643
Investment earnings	278	301	579
Other general receipts	2,280	15	2,295
Total receipts	<u>10,564</u>	<u>2,545</u>	<u>13,109</u>
Disbursements:			
Public safety	2,208	-	2,208
Public works	1,077	-	1,077
Culture and recreation	1,021	-	1,021
Community and economic development	1,669	-	1,669
General government	700	-	700
Debt service	1,629	-	1,629
Capital projects	480	-	480
Sewer	-	2,101	2,101
Airport	-	129	129
Edmundson Golf Course	-	256	256
Stormwater	-	30	30
RACI Main Street loans	-	5	5
Total disbursements	<u>8,784</u>	<u>2,521</u>	<u>11,305</u>
Increase in cash and investments before transfers	1,780	24	1,804
Transfers	<u>(1)</u>	<u>1</u>	<u>-</u>
Increase in cash and investments	1,779	25	1,804
Cash and investments, beginning	<u>4,885</u>	<u>1,905</u>	<u>6,790</u>
Cash and investments, ending	<u>\$ 6,664</u>	<u>\$ 1,930</u>	<u>\$ 8,594</u>



Table 1 - City of Oskaloosa's Changes in Cash and Investment Balances  
(Expressed in Thousands)  
Year ended June 30, 2006

	Governmental Activities 2006	Business Type Activities 2006	Total 2006
Receipts:			
Program receipts:			
Charges for service	\$ 550	\$ 1,683	\$ 2,233
Operating grants, contributions and restricted interest	1,757	291	2,048
Capital grants, contributions and restricted interest	-	948	948
General receipts:			
Property taxes	3,953	-	3,953
Other taxes	1,631	-	1,631
Investment earnings	215	238	453
Other general receipts	218	89	307
Total receipts	<u>8,324</u>	<u>3,249</u>	<u>11,573</u>
Disbursements:			
Public safety	2,187	-	2,187
Public works	913	-	913
Culture and recreation	900	-	900
Community and economic development	1,585	-	1,585
General government	544	-	544
Debt service	1,652	-	1,652
Capital projects	1,500	-	1,500
Sewer	-	1,870	1,870
Airport	-	380	380
Edmundson Golf Course	-	241	241
Stormwater	-	12	12
RACI Main Street loans	-	2	2
Total disbursements	<u>9,281</u>	<u>2,505</u>	<u>11,786</u>
Increase (decrease) in cash and investments before transfers	(957)	744	(213)
Transfers	<u>1</u>	<u>(1)</u>	<u>-</u>
Increase (decrease) in cash and investments	(956)	743	(213)
Cash and investments, beginning	<u>5,841</u>	<u>1,162</u>	<u>7,003</u>
Cash and investments, ending	<u>\$ 4,885</u>	<u>\$ 1,905</u>	<u>\$ 6,790</u>

The City decreased the total property tax rates in 2007 by 3.16 percent. The City's tax receipts from the tax levy decreased by approximately \$73,000 in 2007. The decrease is due to a decrease in the total property tax levy from a decline in tax asking.

The City increased the total property tax rates in 2006 by 4.71 percent to help offset increases in employee salaries, employee benefits and debt payment costs. The City's tax receipts from the tax levy increased by approximately \$318,000 in 2006. The increase is due to an increase in the total property tax levy from a decline in property values.

Table 2 below discloses cost of services for Governmental Activities. The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Succinctly put, net costs are costs that must be covered by local taxes or other general revenue or transfers.

Table 2 - Governmental Activities

Programs	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
General government	\$ 699,535	\$ 363,053	\$ 544,257	\$ 197,978
Public safety	2,207,688	2,024,482	2,187,221	1,996,293
Public works	1,077,307	135,033	912,793	(79,923)
Culture and recreation	1,020,871	771,947	900,014	665,604
Community and economic development	1,669,319	1,056,887	1,584,566	1,186,442
Debt service	1,629,279	1,625,392	1,651,904	1,651,607
Capital projects	<u>479,537</u>	<u>323,903</u>	<u>1,499,891</u>	<u>1,356,198</u>
Total	<u>\$8,783,536</u>	<u>\$6,300,697</u>	<u>\$9,280,646</u>	<u>\$6,974,199</u>

Net cost of services is 72% and 75% of total cost of services in 2007 and 2006, respectively. This reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

**Business-type activities** - Business-type activities increased the City of Oskaloosa's cash and investments by \$24,621. Key elements of this increase are as follows:

- The Sanitary Sewer Fund recorded an increase of \$89,154 in cash and investments for the year due to additional interest and sewer rent.
- Total business type activities' revenue for the fiscal year was \$2,545,000 compared to \$3,249,000 for 2006. For 2007, all but \$316,000 of this revenue was generated for specific business-type activity expenses. This significant decrease was due primarily to the reduced and final draw down of the capitalization sewer loan program to finance sewer improvement projects and reduced federal grants for the airport.
- The Airport activity recorded a decrease of \$33,371 in cash and investments for the year. The decrease is due to the completion of the project paid from the FAA grant in the prior year.
- The Edmundson Golf Course activity recorded an increase of \$24,021 due to the increase in revenues from golf usage and cart rental.
- The Storm Water Fund was a new fund in FY 2006 and recorded a decrease of \$29,681 since charges for services were not yet in effect.
- The RACI Main Street Loans Fund recorded a decrease in cash and investments of \$1,414 for the year. One loan was made during this year.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. On the following page are the major reasons for the changes in cash balances from the prior year for the City's major funds.

### **Governmental Funds**

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$1,632,082, an increase of \$29,066 from the prior year. This increase was due to better than projected revenues and controlled expenses.

The Road Use Tax Fund cash balance increased by \$93,152 to \$822,824 during the fiscal year. This increase was due to controlled costs.

The Library Maintenance Fund was established by the Local Option Sales and Service Tax Referendum to maintain the Library in future years. The funds are from the Local Option Sales and Service Tax with only interest proceeds from those funds to be expended. At the end of the fiscal year, the cash balance was \$1,197,358, an increase of \$5,213.

The Local Option Sales and Service Tax Revenue Fund had no cash and investment balance in the current or prior year.

The Debt Service Fund had a decrease of \$16,081 for an ending cash and investment balance of \$113,524. The decrease was from reduced property tax receipts.

The Employee Benefits Fund had a decrease of \$37,072 for an ending cash and investment balance of \$29,582 due to reduced property tax receipts.

The Capital Projects Funds had an increase of \$1,704,049 for an ending cash and investment balance of \$1,838,153 due to bond proceeds received for projects just beginning in 2007.

### **Proprietary Funds**

The cash balance of the Sanitary Sewer Fund increased by approximately \$89,154 to \$1,970,449, due primarily to an increase in sewer rental charges and interest earned.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget once. The amendment resulted in an increase in operating disbursements related to various projects. The City had sufficient cash balances and revenue to cover the budget amendments.

## **DEBT ADMINISTRATION**

At year-end, the City had approximately \$13,877,000 in bonds and other long-term debt compared to approximately \$13,121,000 last year as shown below:

Outstanding Debt at Year-End (Expressed in Thousands)		
	2007	2006
General obligation bonds	\$ 5,760	\$ 4,640
General obligation notes	1,095	1,455
Revenue bonds and capital loan notes	6,768	6,768
Capital leases	114	178
Iowa Finance Authority loan	140	70
CEBA	-	10
Total	<u>\$ 13,877</u>	<u>\$ 13,121</u>

Debt increased as a result of a new bond issue.

The City's general obligation bond rating has been A2 since 1999. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to five percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$6,995,088 is well below the City's \$21.0 million debt limit.

More detailed information about the City's long-term liabilities is presented in Note 4 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials and citizens considered many factors when setting the 2008 fiscal year budget. One of those factors is the economy. Unemployment in Mahaska County now stands at 3.5 percent versus 3.6 percent in 2006. This compares with the state's unemployment rate of 3.9 percent. These indicators were taken into account when adopting the budget for 2008.

## **REQUESTS FOR INFORMATION**

These financial statements and discussions are designed to provide our citizens, taxpayers, investors and creditors with a complete disclosure of the City's finances and to demonstrate a high degree of accountability for the public dollars entrusted to us. If you have questions about this report or need additional information, please write Marilyn Miller, Finance Director, 220 South Market Street, Oskaloosa, Iowa 52577.

## **Basic Financial Statements**

CITY OF OSKALOOSA

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2007

	Disbursements	Program Receipts		Capital Grants, Contributions and Restricted Interest	Net (Disbursements)Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest		Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Public safety	\$ 2,207,688	\$ 66,467	\$ 116,739	\$ -	\$ (2,024,482)	\$ -	\$ (2,024,482)
Public works	1,077,307	3,515	938,759	-	(135,033)	-	(135,033)
Culture and recreation	1,020,871	116,707	132,217	-	(771,947)	-	(771,947)
Community and economic development	1,669,319	86,619	525,813	-	(1,056,887)	-	(1,056,887)
General government	699,535	328,907	7,575	-	(363,053)	-	(363,053)
Debt service	1,629,279	3,887	-	-	(1,625,392)	-	(1,625,392)
Capital projects	479,537	-	-	155,634	(323,903)	-	(323,903)
Total governmental activities	8,783,536	606,102	1,721,103	155,634	(6,300,697)	-	(6,300,697)
Business-type activities:							
Sanitary sewer	2,101,126	1,510,601	-	527,272	-	(63,253)	(63,253)
Other	420,414	191,617	-	-	-	(228,797)	(228,797)
Total business-type activities	2,521,540	1,702,218	-	527,272	-	(292,050)	(292,050)
Total	\$11,305,076	\$2,308,320	\$1,721,103	\$ 682,906	(6,300,697)	(292,050)	(6,592,747)
General receipts:							
Property taxes levied for:							
General purposes					2,920,304	-	2,920,304
Debt service					960,092	-	960,092
Tax increment financing					465,025	-	465,025
Local option sales tax					925,571	-	925,571
Other taxes					252,696	-	252,696
Unrestricted investment earnings					277,815	300,903	578,718
Issuance of debt					2,084,600	-	2,084,600
Miscellaneous					3,283	15,221	18,504
Sale of capital assets					190,797	-	190,797
Transfers					(547)	547	-
Total general receipts and transfers					8,079,636	316,671	8,396,307
Change in cash basis net assets					1,778,939	24,621	1,803,560
Cash basis net assets, beginning of year					4,884,847	1,905,059	6,789,906
Cash basis net assets, end of year					\$ 6,663,786	\$ 1,929,680	\$ 8,593,466
Cash Basis Net Assets							
Restricted:							
Streets					\$ 822,824	\$ -	\$ 822,824
Library maintenance					1,197,358	-	1,197,358
Debt service					113,524	640,549	754,073
Other purposes					2,564,776	-	2,564,776
Unrestricted					1,965,304	1,289,131	3,254,435
Total cash basis net assets					\$ 6,663,786	\$ 1,929,680	\$ 8,593,466

See notes to financial statements.

CITY OF OSKALOOSA

Statement of Cash Receipts, Disbursements and Changes in Cash and Investment Balances  
Governmental Funds

As of and for the year ended June 30, 2007

Special Revenue									
	General	Road Use Tax	Library Maintenance	Local Option Sales and Service Tax Revenue	Employee Benefits	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Receipts:									
Property tax	\$ 2,050,164	\$ -	\$ -	\$ -	\$ 805,261	\$ 960,092	\$ -	\$ 64,879	\$ 3,880,396
Tax increment financing collections	-	-	-	-	-	-	-	465,025	465,025
Other City tax	90,759	-	-	925,571	33,744	38,311	-	89,882	1,178,267
Licenses and permits	229,410	-	-	-	-	-	-	-	229,410
Uses of money and property	96,850	-	52,313	-	4,709	68,019	4,765	35,577	262,233
Intergovernmental	163,613	919,755	-	-	-	-	133,490	198,486	1,415,344
Charges for service	136,076	-	-	-	-	-	-	5,187	141,263
Special assessments	-	-	-	-	-	3,887	2,786	207	6,880
Miscellaneous	78,911	-	-	-	340	-	14,590	439,511	533,352
Total receipts	2,845,783	919,755	52,313	925,571	844,054	1,070,309	155,631	1,298,754	8,112,170
Disbursements:									
Operating:									
Public safety	2,195,850	-	-	-	-	-	-	11,838	2,207,688
Public works	144,034	826,076	-	-	-	-	-	81,021	1,051,131
Culture and recreation	754,923	-	47,100	-	-	-	-	218,848	1,020,871
Community and economic development	130,592	-	-	925,571	-	-	-	608,256	1,664,419
General government	540,973	-	-	-	-	-	-	-	540,973
Debt service	-	-	-	-	-	1,629,279	-	-	1,629,279
Capital projects	-	-	-	-	-	-	479,296	-	479,296
Total disbursements	3,766,372	826,076	47,100	925,571	-	1,629,279	479,296	919,963	8,593,657
Excess (deficiency) of receipts over (under) disbursements	(920,589)	93,679	5,213	-	844,054	(558,970)	(323,665)	378,791	(481,487)
Other financing sources (uses):									
Issuance of debt	-	-	-	-	-	-	1,955,000	129,600	2,084,600
Sale of capital assets	1,095	-	-	-	-	-	17,653	172,049	190,797
Operating transfers in	1,003,621	-	-	-	-	542,889	305,924	527	1,852,961
Operating transfers out	(55,061)	(527)	-	-	(881,126)	-	(250,863)	(665,931)	(1,853,508)
Total other financing sources (uses)	949,655	(527)	-	-	(881,126)	542,889	2,027,714	(363,755)	2,274,850
Net change in cash and investment balances	29,066	93,152	5,213	-	(37,072)	(16,081)	1,704,049	15,036	1,793,363
Cash and investment balances, beginning of year	1,603,016	729,672	1,192,145	-	66,654	129,605	134,104	564,844	4,420,040
Cash and investment balances end of year	\$ 1,632,082	\$ 822,824	\$1,197,358	\$ -	\$ 29,582	\$ 113,524	\$1,838,153	\$ 579,880	\$ 6,213,403
Cash Basis Fund Balances:									
Reserved:									
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,524	\$ -	\$ -	\$ 113,524
Unreserved:									
General fund	1,632,082	-	-	-	-	-	-	-	1,632,082
Special revenue funds	-	822,824	1,197,358	-	29,582	-	-	579,880	2,629,644
Capital projects fund	-	-	-	-	-	-	1,838,153	-	1,838,153
Total cash basis fund balances	\$ 1,632,082	\$ 822,824	\$1,197,358	\$ -	\$ 29,582	\$ 113,524	\$1,838,153	\$ 579,880	\$ 6,213,403

See notes to financial statements.

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CITY OF OSKALOOSA

Reconciliation of the Statement of Cash Receipts,  
Disbursements and Changes in Cash and Investment Balances  
to the Statement of Activities and Net Assets  
*Governmental Funds*

As of and for the year ended June 30, 2007

**Total governmental funds cash and investment balances** \$ 6,213,403

*Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits and copier usage to individual funds. A portion of the assets of the Internal Service Fund are included in governmental activities in the statement of activities and net assets.

450,383

**Cash basis net assets of governmental activities**

\$ 6,663,786

Net change in cash and investment balances

\$ 1,793,363

*Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits and copier usage to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with governmental activities.

(14,424)

**Change in cash and investment balances of governmental activities**

\$ 1,778,939

See notes to financial statements.



## CITY OF OSKALOOSA

Statement of Cash Receipts, Disbursements and  
Changes in Cash and Investment Balances (Deficits)  
*Proprietary Funds*

As of and for the year ended June 30, 2007

	Enterprise			Internal
	Sanitary	Nonmajor		Service
	Sewer	Enterprise	Total	Funds
		Funds		
Operating receipts:				
Use of money and property	\$ 111,041	\$ 189,866	\$ 300,907	\$ 20,420
Charges for services	1,506,877	191,617	1,698,494	716,950
Special assessments	3,724	-	3,724	-
Miscellaneous	8,586	6,632	15,218	116,783
Total operating receipts	<u>1,630,228</u>	<u>388,115</u>	<u>2,018,343</u>	<u>854,153</u>
Operating disbursements:				
Business type activities	868,363	348,109	1,216,472	-
Nonprogram	-	-	-	892,665
Total operating disbursements	<u>868,363</u>	<u>348,109</u>	<u>1,216,472</u>	<u>892,655</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>761,865</u>	<u>40,006</u>	<u>801,871</u>	<u>(38,512)</u>
Non-operating receipts (disbursements):				
Capital projects	(461,150)	(38,250)	(499,400)	-
Issuance of debt	527,272	-	527,272	-
Debt service	<u>(751,096)</u>	<u>(30,485)</u>	<u>(781,581)</u>	<u>-</u>
Net non-operating receipts (disbursements)	<u>(684,974)</u>	<u>(68,735)</u>	<u>(753,709)</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>76,891</u>	<u>(28,729)</u>	<u>48,162</u>	<u>(38,512)</u>
Other financing sources (uses):				
Operating transfers in	12,263	4,202	16,465	-
Operating transfers out	<u>-</u>	<u>(15,918)</u>	<u>(15,918)</u>	<u>-</u>
Total other financing sources (uses)	<u>12,263</u>	<u>(11,716)</u>	<u>547</u>	<u>-</u>
Net changes in cash and investment balances	89,154	(40,445)	48,709	(38,512)
Cash and investment balances beginning of year	<u>1,881,295</u>	<u>13,311</u>	<u>1,894,606</u>	<u>475,260</u>
Cash and investment balances (deficits), end of year	<u>\$1,970,449</u>	<u>\$(27,134)</u>	<u>\$1,943,315</u>	<u>\$ 436,748</u>

## CITY OF OSKALOOSA

Statement of Cash Receipts, Disbursements and  
 Changes in Cash and Investment Balances (Deficits) - Continued  
*Proprietary Funds*

As of and for the year ended June 30, 2007

	Enterprise			Internal Service Funds
	Sanitary Sewer	Nonmajor Enterprise Funds	Total	
Cash Basis Fund Balances:				
Reserved for debt service	\$ 640,549	\$ -	\$ 640,549	\$ -
Unreserved	1,329,900	(27,134)	1,302,766	436,748
Total cash basis fund balances (deficits)	<u>\$1,970,449</u>	<u>\$ (27,134)</u>	<u>\$1,943,315</u>	<u>\$ 436,748</u>

See notes to financial statements.

## CITY OF OSKALOOSA

Reconciliation of the Statement of Cash Receipts, Disbursements and  
Changes in Cash and Investment Balances to the Statement of Activities and Net Assets  
*Proprietary Funds*

As of and for the year ended June 30, 2007

<b>Total enterprise funds cash and investment balances</b>	<b>\$ 1,943,315</b>
--	---------------------

*Amounts reported for business type activities in the statement of activities  
and net assets are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits and copier usage to individual funds. A portion of assets of the Internal Service Fund are included in the business type activities in the statement of net assets.

(13,635)

<b>Cash basis net assets of business type activities</b>	<b><u>\$ 1,929,680</u></b>
--	----------------------------

Net changes in cash and investment balances	\$ 48,709
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*Amounts reported for business type activities in the statement of activities  
and net assets are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits and copier usage to individual funds. An allocation of the change in net assets of the Internal Service Fund is reported with business type activities.

(24,088)

<b>Change in cash basis net assets of business type activities</b>	<b><u>\$ 24,621</u></b>
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See notes to financial statements.

# **CITY OF OSKALOOSA**

## **Notes to Financial Statements**

June 30, 2007

### **(1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Nature of operations:**

The City of Oskaloosa, Iowa (City), is a political subdivision of the State of Iowa located in Mahaska County. It was first incorporated in 1853 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides an airport, golf course and sewer services.

#### **B. Reporting entity:**

Accounting principles generally accepted in the United States of America require the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City of Oskaloosa, Iowa is a municipal corporation and has the exclusive responsibility and accountability for the decisions it makes. The City has the statutory authority to adopt its own budget, to levy taxes and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease or mortgage property in its own name. Based on these criteria, the City is considered a primary government.

The financial statements present only the City of Oskaloosa, Iowa (the primary government). The financial statements do not include the component units of the City. The entities discussed below are component units of the City because of the significance of their operational or financial relationship with the City. Complete financial statements of the individual component units, which issue separate audited financial statements, can be obtained from their respective administrative offices.

The Municipal Waterworks Utility is a separate legal entity. However, it is financially accountable to the City. The Utility is governed by a three-member board appointed by the Mayor and subject to approval by the City Council and its operating budget is subject to the approval of the City Council. The Municipal Waterworks issues separate audited cash basis financial statements with a fiscal year-end of June 30, which are available at their administrative office.

The Oskaloosa Municipal Housing Agency is a separate legal entity. However, it is financially accountable to the City. The Agency is governed by a five-member board appointed by the Mayor and subject to the approval by the City Council and its operating budget is subject to the approval of the City Council. The Oskaloosa Municipal Housing Agency issues separate audited financial statements with a fiscal year-end of September 30, which are available at their administrative office.

# CITY OF OSKALOOSA

## Notes to Financial Statements - Continued

June 30, 2007

### (1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### C. Basis of presentation:

The government-wide financial statement reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The statement of activities and net assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The statement of activities demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. There are no indirect disbursements. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. The focus of fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining non major funds are aggregated and presented in a single column.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

#### Special Revenue:

The Road Use Tax Fund, a special revenue fund, is utilized to account for receipt of the allocation from the state of excise taxes on motor fuel and other transportation related sources, to be used for construction, maintenance and supervision of the public streets.

## **CITY OF OSKALOOSA**

### **Notes to Financial Statements - Continued**

June 30, 2007

#### **(1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

##### **C. Basis of presentation - continued:**

The Library Maintenance Fund, a special revenue fund, was established with Local Option Sales and Service Tax with the revenues from the tax to be used to preserve and maintain the library facility and its functions and equipment as renovated, expanded, established and reopened to the public in 1997.

The Local Option Sales and Service Tax Revenue Fund, a special revenue fund, is utilized to account for the revenues from the State and Local Option Sales and Service Tax and the expenditure of those funds for the specific purpose as set forth in the referendum.

The Employee Benefits Fund, a special revenue fund, is utilized to account for tax receipts expended for employee benefits.

The Debt Service Fund is utilized to account for payment of interest and principal on the City's general obligation, special assessment and tax increment financing long-term debt.

The Capital Projects Fund, is used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary fund:

The Proprietary Fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector.

The Sanitary Sewer Fund is used to account for operations of providing sanitary sewer services.

The City also reports the following additional proprietary funds:

The Internal Service Funds are used to finance and account for services and commodities provided by designated departments or agencies to other departments or agencies of the City on a cost-reimbursement basis.

##### **D. Significant accounting policies:**

Basis of Accounting: The City of Oskaloosa, Iowa maintains its financial records and these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, receivables, payables, capital assets, depreciation, fair value of investments and other accrued items, which may be material in amount, are not reflected.

## CITY OF OSKALOOSA

### Notes to Financial Statements - Continued

June 30, 2007

#### (1) NATURE OF OPERATIONS, REPORTING ENTITY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### D. Significant accounting policies - continued:

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Property Taxes: All City property taxes must be certified to the Mahaska County Auditor on or before the fifteenth day of March of each year for the upcoming fiscal year which runs from July 1 to June 30. Property taxes are levied in June and attached as an enforceable lien on the property on July 1.

Property taxes levied for the year ending June 30, 2007, attached as an enforceable lien on July 1, 2006, with the first half installment being delinquent after September 30, 2006 and the second half installment being delinquent after March 31, 2007.

Investments: Investments are stated at cost. The City invests in the Iowa Public Agency Investment Trust which is a 2a7-like pool. The Iowa Public Agency Investment Trust is a common law trust established under Iowa Code law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

Proprietary Funds: Enterprise funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principle Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements and which apply to the comprehensive basis of accounting used.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating receipts of the City's enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative expenses. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

#### (2) BUDGETS AND BUDGETARY ACCOUNTING

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds combined except for internal service funds. The annual budget may be amended during the year utilizing similar statutory prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements, known as functions, not by fund or fund type. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and nonprogram.

# CITY OF OSKALOOSA

## Notes to Financial Statements - Continued

June 30, 2007

### (2) BUDGETS AND BUDGETARY ACCOUNTING - CONTINUED

Appropriations as adopted or amended lapse at the end of the fiscal year. The nonprogram disbursements are not budgeted.

### (3) DEPOSITS AND INVESTMENTS

The City's deposit and investment accounts as of June 30, 2007 consist of the following:

Deposit and Investment Type	Investment Maturities (in years)				
	Cost	Less than 1	1 to 5	6 to 10	More than 10
Petty cash	\$ 575	\$ -	\$ -	\$ -	\$ -
Checking, savings and money market	477,148	-	-	-	-
Certificates of deposit	6,100,000	6,100,000	-	-	-
Debt securities	1,133,955	-	497,475	540,480	96,000
Iowa Public Agency Investment Trust	881,788	-	-	-	-
Total	<u>\$8,593,466</u>	<u>\$ 6,100,000</u>	<u>\$ 497,475</u>	<u>\$ 540,480</u>	<u>\$ 96,000</u>

Interest rate risk: As a means of limiting its exposure to fair value losses arising from changing interest rates, the City's investment policy requires operating funds to be invested in instruments that mature within three hundred ninety-seven days. Operating funds are defined as funds which are reasonably expected to be expended during a current budget year or within fifteen months of receipt. All nonoperating funds may be invested in investments with maturities longer than three hundred ninety-seven days.

Authorized investments and credit risk: The City is authorized by statute to invest public funds not currently needed for operating expenses in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Treasurer of the State of Iowa; commercial paper or other short-term commercial debt that mature within two hundred and seventy days and meet certain classification ratings; repurchase agreements with collateral consisting of investment obligations of the United States government; open-end management investment companies registered with the federal securities and exchange commission; and certain joint investments trusts. The City has no policy that would further limit its investment choices. The City's investment in the Iowa Public Agency Investment Trust is unrated.

As of June 30, 2007, the City's debt securities were rated as follows:

Investment type	Moody's Investor's Service	Standard & Poor's	Cost	Fair Value
FHLB	Aaa	AAA	\$ 619,667	\$ 605,388
FNMA	Aaa	AAA	404,788	395,959
FFCB	Aaa	AAA	79,500	79,504
Tennessee Valley Authority	Aaa	AAA	30,000	30,000
			<u>\$ 1,133,955</u>	<u>\$ 1,110,851</u>



# CITY OF OSKALOOSA

## Notes to Financial Statements - Continued

June 30, 2007

### (3) DEPOSITS AND INVESTMENTS - CONTINUED

Concentration of credit risk: The City's general investment policy requires the Treasurer of the City of Oskaloosa to exercise the care, skill, prudence, and diligence under the circumstances then prevailing that a person acting in a like capacity and familiar with such matters would use to attain the investment objectives and to consider the role that each investment or deposit plays within the portfolio of assets of the City. More than 5 percent of the City's investments are in the Iowa Public Agency Investment Trust, FHLB, FNMA and FFCB. These investments are 45 percent, 31 percent, 20 percent and 4 percent, respectively, of the City's \$2,015,743 total investments. All of the debt securities investments are reported in the Library Maintenance Fund and the Library Memorial Fund, both special revenue funds.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2007, the City's investments are held in the City's name. It is the City's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. Chapter 12c of the Code of Iowa requires all City funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2007, the City's deposits with financial institutions were entirely covered by federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the state's ability to assess for lost funds.

### (4) LONG-TERM DEBT

The following is a summary of the changes in the outstanding long-term debt of the City for the year ended June 30, 2007:

	Balance June 30, 2006	Issued	Redeemed	Balance June 30, 2007
<b>Governmental Activities</b>				
General obligation bonds	\$ 4,640,000	\$ 1,955,000	\$ 835,000	\$ 5,760,000
General obligation notes	1,455,000	-	360,000	1,095,000
Capital leases	41,038	-	41,038	-
Housing assistance fund	69,640	172,047	101,599	140,088
	<u>\$ 6,205,678</u>	<u>\$ 2,127,047</u>	<u>\$ 1,337,637</u>	<u>\$ 6,995,088</u>
<b>Business-Type Activities</b>				
Revenue bonds and capital loan notes	\$ 6,767,728	\$ 527,272	\$ 527,000	\$ 6,768,000
Capital leases	136,826	-	22,807	114,019
	<u>\$ 6,904,554</u>	<u>\$ 527,272</u>	<u>\$ 549,807</u>	<u>\$ 6,882,019</u>

Interest rates range from 2.60% to 5.50% on bonds and notes. The City paid \$508,542 in interest on debt obligations for the year ended June 30, 2007.

# CITY OF OSKALOOSA

## Notes to Financial Statements - Continued

June 30, 2007

### (4) LONG-TERM DEBT - CONTINUED

On June 30, 2007, the general obligation debt issued by the City did not exceed its legal debt margin compiled as follows:

Assessed valuation		<u>\$ 420,092,048</u>
Debt limit - 5% of total valuation		\$ 21,004,602
Debt applicable to debt limit:		
General obligation bonds	\$ 5,760,000	
General obligation notes	1,095,000	
Loans	<u>140,088</u>	<u>6,995,088</u>
Legal debt margin		<u>\$ 14,009,514</u>

A summary of the City's June 30, 2007 general obligation bonds, general obligation notes, revenue bonds and revenue capital loan notes principal and interest maturities as follows:

Year Ending June 30,	Total General Obligation Bonds		Total General Obligation Notes	
	Principal	Interest	Principal	Interest
2008	\$ 925,000	\$ 231,433	\$ 385,000	\$ 41,318
2009	560,000	191,945	375,000	26,670
2010	595,000	170,890	215,000	11,295
2011	620,000	147,805	120,000	4,200
2012	645,000	122,945	-	-
2013	585,000	96,705	-	-
2014	615,000	73,485	-	-
2015	555,000	48,632	-	-
2016	210,000	25,420	-	-
2017	220,000	17,440	-	-
2018	230,000	8,970	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
Total	<u>\$ 5,760,000</u>	<u>\$ 1,135,670</u>	<u>\$ 1,095,000</u>	<u>\$ 83,483</u>

Table continued on  
next page

# CITY OF OSKALOOSA

## Notes to Financial Statements - Continued

June 30, 2007

### (4) LONG-TERM DEBT - CONTINUED

Year Ending June 30,	Total General Revenue Bonds		Total Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 163,000	\$ 106,650	\$ 386,000	\$ 104,605	\$ 1,859,000	\$ 484,005
2009	168,000	101,760	399,000	92,200	1,502,000	412,575
2010	173,000	96,720	412,000	78,955	1,395,000	357,860
2011	179,000	91,530	425,000	64,845	1,344,000	308,380
2012	184,000	86,160	419,000	50,025	1,248,000	259,130
2013	189,000	80,640	263,000	35,310	1,037,000	212,655
2014	195,000	74,970	273,000	27,420	1,083,000	175,875
2015	201,000	69,120	283,000	19,230	1,039,000	136,983
2016	207,000	63,090	177,000	10,740	594,000	150,090
2017	213,000	56,880	181,000	5,430	614,000	114,630
2018	220,000	50,490	-	-	450,000	77,400
2019	226,000	43,890	-	-	226,000	43,890
2020	233,000	37,110	-	-	233,000	37,110
2021	240,000	30,120	-	-	240,000	30,120
2022	247,000	22,920	-	-	247,000	22,920
2023	255,000	15,510	-	-	255,000	15,510
2024	257,000	7,860	-	-	257,000	7,860
Total	<u>\$ 3,550,000</u>	<u>\$ 1,035,420</u>	<u>\$ 3,218,000</u>	<u>\$ 488,760</u>	<u>\$13,623,000</u>	<u>\$ 2,846,993</u>

The resolutions provided for the issuance of the sewer revenue bonds and revenue capital loan notes include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- B. Sufficient monthly transfers shall be made to a sanitary sewer sinking account for the purpose of making the bond principal and interest payments when due.
- C. Sufficient monthly transfers to the sanitary sewer reserve account shall be made until a specific minimum balance has been accumulated. This account is restricted for the purpose of making bond principal and interest payments should there be insufficient funds available in the sinking account. As of June 30, 2007, \$617,049 of cash and investments is in the reserve account.
- D. The City must establish and maintain a sewer improvements account. Money in the improvement account, not otherwise specifically limited by other provisions, shall be used solely for the purpose of paying principal of or interest on the bonds when there is insufficient money in the sinking account and the reserve account; and to the extent not required for the foregoing, to pay the cost of extraordinary maintenance expenses or repairs, renewals and replacements not included in the annual budget; payments of rentals on any part of the system or payments due for any property purchased

## CITY OF OSKALOOSA

### Notes to Financial Statements - Continued

June 30, 2007

#### (4) LONG-TERM DEBT - CONTINUED

as part of the system and for capital improvements to the system. As of June 30, 2007, \$23,626 of cash and investments is in the improvement account.

- E. All amounts remaining in the sanitary sewer revenue account after the payment of all maintenance and operating expenses and required transfers shall be placed in the sanitary sewer surplus revenue fund. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for bond and interest payments which the other accounts might be unable to make.
- F. The City must maintain net sewer revenues of at least 110 percent of the next fiscal year's debt service payment.

The Iowa Finance Authority loaned the City \$1,515,000 on March 31, 1994; \$2,671,000 on February 16, 1996; \$1,585,000 on November 27, 2002; and \$4,017,000 on December 6, 2002, which are evidenced by the issue of Sewer Revenue Bonds and Sewer Revenue Capital Loan Notes for the other issues. Principal and interest payments on the Iowa Department of Natural Resources loans are treated as payments on the Revenue Bonds and Notes.

#### Community Economic Betterment Account Loans (CEBA):

A CEBA loan has been made by the Iowa Department of Economic Development (IDED) to a local business. The funds to repay the loan came from the business recipient. The loan is required to be presented as the City's long-term debt, but the City will not be liable for it if they make a reasonable attempt to collect from the business involved upon default.

Soy Protein Technologies: A \$250,000 loan with a zero percent per annum interest rate for seven years ending December 1, 2006. Monthly payments are receivable for seven years from the business and payable to the Iowa Department of Economic Development for the loan which has a balance of \$-0- as of June 30, 2007.

#### Capital Leases

Golf carts and other golf equipment leases: The City is leasing golf carts and other golf equipment under two capital leases. The balance of the leases total \$114,019 as of June 30, 2007. On the golf equipment lease, annual payments are \$22,133 including interest at 5.58 percent. On the golf cart lease monthly payments are \$1,392 from May through October of each year, including interest at 5.6 percent. The lease is collateralized by the golf carts and equipment.

As of June 30, 2007, the present value of future minimum capital lease payments are as follows:

June 30,	Capital Leases
2008	\$ 30,485
2009	30,485
2010	30,485
2011	<u>37,784</u>

## CITY OF OSKALOOSA

### Notes to Financial Statements - Continued

June 30, 2007

#### (4) LONG-TERM DEBT - CONTINUED

Total minimum lease payments	129,239
Less amount representing interest	<u>15,220</u>
Presenting value of net minimum capital lease payments	<u>\$ 114,019</u>

#### Compensated Absences:

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for earned compensated absences payable to employees and the benefits that would be payable on this liability as of June 30, 2007 primarily relating to the General, Road Use Tax and Sanitary Sewer Funds, is as follows:

#### Type of Benefit:

Vacation	\$ 123,344
Sick leave	<u>778,762</u>
Total	<u>\$ 902,106</u>

Sick leave is payable for fire and police union employees when used or upon full service retirement or death, for other union employees, upon retirement, 20 years of full time employment or death, and for nonunion employees upon twenty years of service or death. If paid upon retirement or death, half of the total accumulated hours are paid at the then effective hourly rate for that employee. Based on this computation, the maximum accumulated sick leave payable is half the amount above or approximately \$389,381 as of June 30, 2007.

#### Housing Assistance Fund:

The City entered into a loan agreement with the Iowa Finance Authority to finance a program to encourage the construction of affordable housing. The City may draw up to \$510,000 and will lend the proceeds to contractors/developers for construction or rehabilitation of homes for families with incomes of 80 percent to 110 percent of the Mahaska County median income. Each draw is due to the state the earlier of nine months from draw date or payment by the contractor to the City. The loan has an attached grant agreement that reduces the interest rate to 3 percent; however, the rate is 10 percent in the event of default. The balance of the loan is \$140,088 as of June 30, 2007.

#### (5) PENSION AND RETIREMENT SYSTEMS

Two retirement systems, the Iowa Public Employee Retirement System (IPERS) and the Municipal Fire and Police Retirement System of Iowa are in effect for employees of the City. Each of the systems is required by state law to be funded on an actuarial basis, by contributions sufficient to fully fund benefits being credited. One employee, the City Manager, is not covered by the systems mentioned previously, but is covered under the International City Management Association Retirement Corporation (ICMA). All systems are contributory and all full-time employees must participate in one of the retirement systems.

## **CITY OF OSKALOOSA**

### **Notes to Financial Statements - Continued**

June 30, 2007

#### **(5) PENSION AND RETIREMENT SYSTEMS - CONTINUED**

##### **IPERS:**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the state of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70 percent of their annual salary and the City is required to contribute 5.75 percent of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$93,921, \$92,880 and \$86,073, respectively, which meet the required minimum contribution each year.

##### **Municipal Fire and Police Retirement System of Iowa:**

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. The Plan issued a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.35 percent of earnable compensation and the City's contribution rate may not be less than 17 percent of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2007, 2006, and 2005 were \$290,482, \$292,098 and \$237,499, respectively, which met the required minimum contribution for each year.

#### **(6) RISK MANAGEMENT AND SELF-INSURED MEDICAL PLAN**

The City of Oskaloosa, Iowa has a self-insured Health Care Plan for City employees accounted for in internal service fund. A fixed monthly fee per participating employee is paid to an insurance administrative company to administer the Plan and evaluate claims. The funds of the City are charged a premium based on a range of rates recommended by the third party administrator.

The City escrows funds each month to be used to pay medical claims incurred. The maximum exposure to the City for claims incurred is limited by the "Stop-loss" feature of the Plan. The maximum exposure for one individual in a twelve-month period is \$40,000. The maximum aggregate excess risk insurance is \$1,000,000 per policy period and the maximum specific excess risk insurance per covered person is \$1,000,000 per lifetime.

As of June 30, 2007, the Plan held \$436,980 in cash and investments. The estimate of the claims liability was \$145,000 for June 30, 2007 and \$97,000 for June 30, 2006, and includes claims reported but not settled and those incurred but not reported. Claim payments as of June 30, 2007 and 2006 were \$675,520 and \$461,581, respectively.

## CITY OF OSKALOOSA

### Notes to Financial Statements - Continued

June 30, 2007

#### (6) RISK MANAGEMENT AND SELF-INSURED MEDICAL PLAN - CONTINUED

The City of Oskaloosa is also exposed to various risks related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### (7) DEFICIT CASH BALANCES

On June 30, 2007, individual funds with deficit balances were as follows:

Special Revenue:	
2007 Disaster Relief	\$ (117,161)
Enterprise:	
Edmundson Golf Course	(10,110)
Storm Water	(41,637)
Internal Service Fund:	
Copier/Fax Revolving	(232)

These temporary cash shortfalls are financed through short-term advances made by other funds within the fund type.

#### (8) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue	
	Employment Benefit	\$ 881,126
	Emergency	67,598
	Housing Trust	301
	2007 Disaster Relief	38,678
	Enterprise	
	Edmundson Golf Course	15,918
		<u>1,003,621</u>
Special Revenue	Special Revenue	
Miscellaneous Grants	Road Use Tax	<u>527</u>
Debt Service	Special Revenue	
	Tax Increment Financing	437,221
	Housing Trust	<u>105,668</u>
		542,889

## CITY OF OSKALOOSA

### Notes to Financial Statements - Continued

June 30, 2007

#### (8) INTERFUND TRANSFERS - CONTINUED

Capital Projects	General	55,061
	Capital Projects	<u>250,863</u>
		305,924
Enterprise	Special Revenue	
Sewer	2007 Disaster Relief	<u>12,263</u>
Edmundson Golf Course	Special Revenue	
	2007 Disaster Relief	<u>4,202</u>
		<u>\$ 1,869,426</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

#### (9) POST-EMPLOYMENT BENEFITS

All full-time employees who retire or become disabled are offered the following post-employment benefit option:

Health insurance - The option of continuing with the City's health insurance plan at the individual's own cost.

The above options, while at the individual's own expense, are included within the City's overall insurance package. Therefore, a portion of the above coverage is being subsidized by the City and its current employees. However, the City cannot reasonably estimate the amount of this subsidy and its being expensed as incurred by the City.

#### (10) CONSTRUCTION COMMITMENTS

The City has several construction commitments to be financed from capital projects funds. The total outstanding construction commitments of the City as of June 30, 2007 is \$1,824,990.

#### (11) OPERATING LEASES

The City leases a copier for \$200 per month. The lease is for 60 months and expires July 31, 2011. Future minimum rentals under the agreement are as follows:



**CITY OF OSKALOOSA**

Notes to Financial Statements - Continued

June 30, 2007

**(11) OPERATING LEASES - CONTINUED**

Year ending June 30,		
2008	\$	2,400
2009		2,400
2010		2,400
2011		2,400
2012		200

### **Required Supplementary Information**

CITY OF OSKALOOSA

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Fund Types and Enterprise Funds  
Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds Actual	Enterprise Funds Actual	Net	Budgeted Amounts			Adjusted Final	Final to Actual Variance- Positive (Negative)
				Original	Final	Adjustment (1)		
Receipts:								
Property tax	\$3,880,396	\$ -	\$ 3,880,396	\$ 3,880,631	\$ 3,914,946	\$ -	\$ 3,914,946	\$ (34,550)
Tax increment financing collections	465,025	-	465,025	466,286	472,832	-	472,832	(7,807)
Other City tax	1,178,267	-	1,178,267	1,084,563	1,160,346	-	1,160,346	17,921
Licenses and permits	229,410	-	229,410	189,870	243,950	-	243,950	(14,540)
Use of money and property	262,233	300,907	563,140	331,901	527,361	-	527,361	35,779
Intergovernmental	1,415,344	-	1,415,344	2,286,993	3,011,427	(982,539)	2,028,888	(613,544)
Charges for service	141,263	1,698,494	1,839,757	3,411,442	3,409,982	(1,818,292)	1,591,690	248,067
Special assessments	6,880	3,724	10,604	1,000	9,015	-	9,015	1,589
Miscellaneous	533,352	15,218	548,570	448,370	1,113,005	(27,000)	1,086,005	(537,435)
Total receipts	8,112,170	2,018,343	10,130,513	12,101,056	13,862,864	(2,827,831)	11,035,033	(904,520)
Disbursements:								
Public safety	2,207,688	-	2,207,688	2,255,314	2,307,869	-	2,307,869	100,181
Public works	1,051,131	-	1,051,131	1,083,814	1,068,476	-	1,068,476	17,345
Culture and recreation	1,020,871	-	1,020,871	937,914	1,059,929	-	1,059,929	39,058
Community and economic development	1,664,419	-	1,664,419	2,648,780	3,160,561	(1,013,724)	2,146,837	482,418
General government	540,973	-	540,973	553,833	556,119	-	556,119	15,146
Debt service	1,629,279	-	1,629,279	1,711,058	2,032,533	-	2,032,533	403,254
Capital projects	479,296	-	479,296	1,562,791	2,430,752	-	2,430,752	1,951,456
Business-type activities	-	2,497,453	2,497,453	3,782,766	4,401,512	(1,734,863)	2,666,649	169,196
Total disbursements	8,593,657	2,497,453	11,091,110	14,536,270	17,017,751	(2,748,587)	14,269,164	3,178,054
Excess (deficiency) of receipts over (under) disbursements	(481,487)	(479,110)	(960,597)	(2,435,214)	(3,154,887)	(79,244)	(3,234,131)	2,273,534
Other financing sources (uses)	2,274,850	527,819	2,802,669	377,010	3,645,048	-	3,645,048	(842,379)
Excess (deficiency) of receipts over (under) disbursements and other financing uses	1,793,363	48,709	1,842,072	(2,058,204)	490,161	(79,244)	410,917	1,431,155
Balances beginning of year	4,420,040	1,894,606	6,314,646	8,321,545	7,641,471	-	7,641,471	(1,326,825)
Balances end of year	\$6,213,403	\$1,943,315	\$ 8,156,718	\$ 6,263,341	\$ 8,131,632	\$ (79,244)	\$ 8,052,388	\$ 104,330

See accompanying independent auditor’s notes.

# **CITY OF OSKALOOSA**

## **Required Supplemental Information**

### **Notes To Required Supplementary Information - Budgetary Report**

June 30, 2007

The budgetary comparison schedule is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except internal service funds and fiduciary funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type and non-program. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital project funds and enterprise funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, one budget amendment increased budgeted disbursements by \$2,481,481. The budget amendments are reflected in the final budget amount.

- (1) Budgeted items for component units of the Housing Agency and Waterworks utility are removed because related actual receipts and disbursements are not included, see Note 1.

### **Other Supplementary Information**

CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements  
and Changes in Cash and Investment Balances (Deficits)  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2007

	Special Revenue							
	Hotel Motel Tax	Emergency	Urban Renewal Tax Increment	Housing Trust	Mahaska Memory Project	Public Library Memorial	France Library Memorial	Drug Control Safety Program
Receipts:								
Property tax	\$ -	\$ 64,879	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	465,025	-	-	-	-	-
Other City tax	87,163	2,719	-	-	-	-	-	-
Use of money and property	-	-	9,661	4,985	120	17,170	1,094	-
Intergovernmental	-	-	-	164,335	-	4,020	-	-
Charges for services	-	-	-	4,420	-	767	-	-
Special assessments	-	-	207	-	-	-	-	-
Miscellaneous	-	-	117,766	232,487	9,000	61,545	-	588
Total receipts	87,163	67,598	592,659	406,227	9,120	83,502	1,094	588
Disbursements:								
Operating:								
Public safety	-	-	-	-	-	-	-	196
Public works	-	-	-	-	-	-	-	-
Culture and recreation	87,163	-	-	-	644	116,141	13,791	-
Community and economic development	-	-	16,285	574,030	-	-	-	-
Total disbursements	87,163	-	16,285	574,030	644	116,141	13,791	196
Excess (deficiency) of receipts over (under) disbursements	-	67,598	576,374	(167,803)	8,476	(32,639)	(12,697)	392
Other financing sources (uses):								
Issuance of debt	-	-	-	124,726	-	4,051	-	-
Sale of capital assets	-	-	-	172,049	-	-	-	-
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers out	-	(67,598)	(437,221)	(105,969)	-	-	-	-
Total other financing sources (uses)	-	(67,598)	(437,221)	190,806	-	4,051	-	-
Net change in cash and investment balances	-	-	139,153	23,003	8,476	(28,588)	(12,697)	392
Cash and investment balances (deficits) beginning of year	-	-	(22,208)	75,334	-	428,115	25,103	101
Cash and investment balances (deficits) end of year	\$ -	\$ -	\$ 116,945	\$ 98,337	\$ 8,476	\$ 399,527	\$ 12,406	\$ 493
Cash Basis Fund Balances (Deficits)								
Unreserved:								
Special revenue funds	\$ -	\$ -	\$ 116,945	\$ 98,337	\$ 8,476	\$ 399,527	\$ 12,406	\$ 493
Total cash basis fund balances (deficits)	\$ -	\$ -	\$ 116,945	\$ 98,337	\$ 8,476	\$ 399,527	\$ 12,406	\$ 493

See accompanying independent auditor’s notes.

CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements  
and Changes in Cash and Investment Balances (Deficits)  
Nonmajor Governmental Funds - Continued

As of and for the year ended June 30, 2007

	Special Revenue				
	Wooden Playground Maintenance	Police Forfeiture	Miscellaneous Grants	2007 Disaster Relief	Total
Receipts:					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ 64,879
Tax increment financing collections	-	-	-	-	465,025
Other City tax	-	-	-	-	89,882
Use of money and property	172	426	339	-	35,577
Intergovernmental	-	-	11,128	19,003	198,486
Charges for services	-	-	-	-	5,187
Special assessments	-	-	-	-	207
Miscellaneous	-	-	11,225	-	439,511
Total receipts	172	426	22,692	19,003	1,298,754
Disbursements:					
Operating:					
Public safety	-	7,898	3,744	-	11,838
Public works	-	-	-	81,021	81,021
Culture and recreation	954	-	-	-	218,848
Community and economic development	-	-	12,371	-	608,256
Total disbursements	954	7,898	16,115	81,021	919,963
Excess (deficiency) of receipts over (under) disbursements	(782)	(7,472)	6,577	(62,018)	378,791
Other financing sources (uses):					
Issuance of debt	-	823	-	-	129,600
Sale of capital assets	-	-	-	-	172,049
Operating transfers in	-	-	527	-	527
Operating transfers out	-	-	-	(55,143)	(665,931)
Total other financing sources (uses)	-	823	527	(55,143)	(363,755)
Net change in cash and investment balances	(782)	(6,649)	7,104	(117,161)	15,036
Cash and investment balances (deficits) beginning of year	4,144	12,572	8,528	-	564,844
Cash and investment balances (deficits) end of year	<u>\$ 3,362</u>	<u>\$ 5,923</u>	<u>\$ 15,632</u>	<u>\$(117,161)</u>	<u>\$ 579,880</u>
Cash Basis Fund Balances (Deficits)					
Unreserved:					
Special revenue funds	<u>\$ 3,362</u>	<u>\$ 5,923</u>	<u>\$ 15,632</u>	<u>\$(117,161)</u>	<u>\$ 579,880</u>
Total cash basis fund balances (deficits)	<u>\$ 3,362</u>	<u>\$ 5,923</u>	<u>\$ 15,632</u>	<u>\$(117,161)</u>	<u>\$ 579,880</u>

See accompanying independent auditor’s notes.

## CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements and Changes in Cash and Investment Balances (Deficits)  
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2007

	Airport	Storm Water	Edmundson Golf Course	RACI Main Street Loans	Total
Operating receipts:					
Use of money and property	\$ 91,646	\$ -	\$ 97,480	\$ 740	\$ 189,866
Charges for service	-	-	191,617	-	191,617
Miscellaneous	3,651	-	106	2,875	6,632
Total operating receipts	95,297	-	289,203	3,615	388,115
Operating disbursements:					
Business type activities	90,418	29,681	222,981	5,029	348,109
Total operating disbursements	90,418	29,681	222,981	5,029	348,109
Excess (deficiency) of operating receipts over (under) operating disbursements	4,879	(29,681)	66,222	(1,414)	40,006
Non-operating receipts (disbursements)					
Capital Projects	(38,250)	-	-	-	(38,250)
Debt Service	-	-	(30,485)	-	(30,485)
Total non-operating disbursements	(38,250)	-	(30,485)	-	(68,735)
Excess (deficiency) of receipts over (under) disbursements	(33,371)	(29,681)	35,737	(1,414)	(28,729)
Other financing sources (uses):					
Operating transfer in	-	-	4,202	-	4,202
Operating transfer out	-	-	(15,918)	-	(15,918)
Total other financing (uses)	-	-	(11,716)	-	(11,716)
Net change in cash and investment balances	(33,371)	(29,681)	24,021	(1,414)	(40,445)
Cash and investment balances (deficits) beginning of year	45,150	(11,956)	(34,131)	14,248	13,311
Cash and investment balances (deficits) end of year	<u>\$ 11,779</u>	<u>\$ (41,637)</u>	<u>\$ (10,110)</u>	<u>\$ 12,834</u>	<u>\$ ( 27,134)</u>
<b>Cash Basis Fund Balances (Deficits)</b>					
Reserved for debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	11,779	(41,637)	(10,110)	12,834	(27,134)
Total cash basis fund balances (deficits)	<u>\$ 11,779</u>	<u>\$ (41,637)</u>	<u>\$ (10,110)</u>	<u>\$ 12,834</u>	<u>\$ (27,134)</u>

See accompanying independent auditor's report.



## CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements and  
Changes in Cash and Investment Balances (Deficits)  
Internal Service Funds

As of and for the year ended June 30, 2007

	Copier/Fax Revolving	Health Insurance	Total
Receipts:			
Use of money and property	\$ 79	\$ 20,341	\$ 20,420
Charges for services:			
Premiums	-	713,579	713,579
Copier and fax servies	3,371	-	3,371
Miscellaneous:			
Sale of supplies	255	-	255
Refunds/reimbursements	-	116,528	116,528
Total receipts	3,705	850,448	854,153
Disbursements:			
Nonprogram:			
Contractual and contractual services	-	876,660	876,660
Repair, maintenance and utilities	2,323	-	2,323
Commodities	1,738	-	1,738
Equipment	11,944	-	11,944
Total disbursements	16,005	876,660	892,665
Excess (deficiency) of operating receipts over (under) operating disbursements	(12,300)	(26,212)	(38,512)
Cash and investment balances beginning of year	12,068	463,192	475,260
Cash and investment balances (deficits) end of year	\$ (232)	\$ 436,980	\$ 436,748

See accompanying independent auditor's report.

CITY OF OSKALOOSA

Schedule of Cash Receipts, Disbursements and Changes in Cash and Investment Balances  
Capital Project Funds

As of and for the year ended June 30, 2007

	Park Shelter Cap Improvement	City Hall Window Project	Edmundson Pool Renovation	Highway 63 North Underpass	Highway 63 South Underpass	Downtown Streetscape Project	Industrial Park Street Project	Railroad Crossings Project	Sidewalk Improvement Project	North I & M Avenue West Project	2006 G.O. Bonds	2004 G.O. Bonds Equip/Housing	Total
Receipts:													
Use of money and property:													
Interest on investments	\$ 4,205	\$ 310	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250	\$ -	\$ -	\$ -	\$ 4,765
Intergovernmental	-	-	125,000	1,551	6,939	-	-	-	-	-	-	-	133,490
Special assessments	-	-	-	-	-	-	-	-	2,786	-	-	-	2,786
Miscellaneous	750	-	10,000	441	3,399	-	-	-	-	-	-	-	14,590
Total receipts	4,955	310	135,000	1,992	10,338	-	-	-	3,036	-	-	-	155,631
Disbursements:	3,887	11,531	77,725	2,874	10,338	181,827	16,536	-	1,607	-	36,595	136,376	479,296
Excess (deficiency) of receipts over (under) disbursements	1,068	(11,221)	57,275	(882)	-	(181,827)	(16,536)	-	1,429	-	(36,595)	(136,376)	(323,665)
Other financing sources:													
Issuance of debt	-	-	-	-	-	-	-	-	-	-	1,955,000	-	1,955,000
Sale of capital assets	-	17,653	-	-	-	-	-	-	-	-	-	-	17,653
Operating transfers in	-	-	55,061	-	-	217,486	33,377	-	-	-	-	-	305,924
Operating transfers (out)	-	-	-	-	-	-	-	-	-	-	(250,863)	-	(250,863)
	-	17,653	55,061	-	-	217,486	33,377	-	-	-	1,704,137	-	2,027,714
Net change in cash and investment balances	1,068	6,432	112,336	(882)	-	35,659	16,841	-	1,429	-	1,667,542	(136,376)	1,704,049
Cash and invesment balances beginning of year	13,780	10,476	(112,336)	882	-	(35,659)	(16,841)	4,385	4,373	-	(15)	265,059	134,104
Cash and investment balances end of year: unreserved	\$ 14,848	\$ 16,908	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,385	\$ 5,802	\$ -	\$1,667,527	\$ 128,683	\$1,838,153

See accompanying independent auditor’s report.

CITY OF OSKALOOSA

Schedule of Indebtedness

Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds:									
Sewer construction	Feb 1, 1972	4.50%	\$ 880,000	\$ 5,000	\$ -	\$ -	\$ 5,000	\$ -	\$ -
Water, sewer and street improvements	Sept 1, 1997	4.80 - 5.15	740,000	485,000	-	70,000	415,000	24,030	-
Street improvements and equipment	May 1, 1998	4.40	1,540,000	370,000	-	180,000	190,000	16,190	-
Water, sewer and street improvements - World Food Park Improvements	Dec 1, 1999	4.95 - 5.40	1,115,000	850,000	-	70,000	780,000	44,175	-
Street improvements	June 1, 2000	5.15	1,000,000	410,000	-	200,000	210,000	21,065	-
Street improvements	Nov 1, 2001	3.70	1,100,000	455,000	-	225,000	230,000	16,497	-
Edmundson Pool renovation	Sept 1, 2004	2.80 - 3.90	1,600,000	1,510,000	-	50,000	1,460,000	52,145	-
Street and park equipment, housing improvements	Sept 1, 2004	3.10 - 3.80	640,000	555,000	-	40,000	515,000	19,230	-
Industrial Park Street, Railroad Crossings, Downtown Streetscaping	Dec 6, 2006	3.70 - 3.90	1,955,000	-	1,955,000	-	1,955,000	35,699	-
Total				\$ 4,640,000	\$ 1,955,000	\$ 835,000	\$ 5,760,000	\$ 229,031	\$ -
General Obligation Notes:									
Refunding	Jan 1, 2002	5.25 - 5.50%	\$ 1,015,000	\$ 495,000	\$ -	\$ 155,000	\$ 340,000	\$ 26,013	\$ -
Refunding	Feb 15, 2003	2.60 - 3.50	1,505,000	960,000	-	205,000	755,000	27,668	-
Total				\$ 1,455,000	\$ -	\$ 360,000	\$ 1,095,000	\$ 53,681	\$ -
Revenue Bonds and Capital Loan Notes:									
Sewer capital loan notes	Mar 1, 1994	3.00%	\$ 1,515,000	\$ 842,000	\$ -	\$ 78,000	\$ 764,000	\$ 25,260	\$ -
Sewer capital loan notes	Feb 16, 1996	3.00	2,671,000	1,734,000	-	135,000	1,599,000	52,020	-
Sewer revenue refunding capital loan notes	Nov 27, 2002	3.50 - 4.30	1,585,000	1,010,000	-	155,000	855,000	38,753	-
Sewer revenue bonds	Dec 6, 2002	3.00	4,017,000	3,181,728	527,272	159,000	3,550,000	97,090	-
Total				\$ 6,767,728	\$ 527,272	\$ 527,000	\$ 6,768,000	\$ 213,123	\$ -
Capital Leases:									
Penn Central Regional mall parking lot improvements	Oct 1,1986	14.00%	\$ 1,125,836	\$ 41,038	\$ -	\$ 41,038	\$ -	\$ 961	\$ -
Golf equipment	Jul 18, 2005	5.58	99,139	77,006	-	17,635	59,371	4,498	-
Golf carts	Aug 10, 2005	5.6013	62,805	59,820	-	5,172	54,648	3,180	-
Total				\$ 177,864	\$ -	\$ 63,845	\$ 114,019	\$ 8,639	\$ -
Housing Assistance Fund:									
Iowa Finance Authority Loan	Aug 1, 2003	3.00%	Varies	\$ 69,640	\$ 31,959	\$ 101,599	\$ -	\$ 4,068	\$ -
Iowa Finance Authority Loan	Nov 16, 2006	3.00	Varies	-	140,088	-	140,088	-	-
Total				\$ 69,640	\$ 172,047	\$ 101,599	\$ 140,088	\$ 4,068	\$ -
Community Economic Betterment Account Loans									
Soy Protein Technologies	Oct 10, 2000	6.00%	\$ 250,000	\$ 9,500	\$ -	\$ 9,500	\$ -	\$ -	\$ -

See accompanying independent auditor’s report.

CITY OF OSKALOOSA

Schedule of Bond and Note Maturities

June 30, 2007

Year Ending June 30,	General Obligation Bonds													
	Water, Sewer and Street		Street Improvements		Water, Sewer and Street		Improvements -		Street Improvements		Street Improvements		Edmundson Pool	
	Improvements		and Equipment		World Food Park Improvements		Issued December 1, 1999		Issued June 1, 2000		Issued November 1, 2001		Renovation	
	Issued September 1, 1997		Issued May 1, 1998		Issued December 1, 1999		Issued June 1, 2000		Issued November 1, 2001		Issued September 1, 2004		Issued September 1, 2004	
	Interest		Interest		Interest		Interest		Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
2008	4.80%	\$ 75,000	4.40%	\$ 190,000	4.95%	\$ 75,000	5.15%	\$ 210,000	3.70%	\$ 230,000	2.80%	\$ 50,000	3.10%	\$ 40,000
2009	4.90	75,000	-	-	5.05	80,000	-	-	-	-	3.00	180,000	3.15	70,000
2010	5.00	85,000	-	-	5.10	85,000	-	-	-	-	3.20	185,000	3.30	75,000
2011	5.05	90,000	-	-	5.20	95,000	-	-	-	-	3.40	190,000	3.50	75,000
2012	5.15	90,000	-	-	5.25	100,000	-	-	-	-	3.50	200,000	3.60	80,000
2013	-	-	-	-	5.30	105,000	-	-	-	-	3.65	210,000	3.70	85,000
2014	-	-	-	-	5.35	115,000	-	-	-	-	3.75	220,000	3.80	90,000
2015	-	-	-	-	5.40	125,000	-	-	-	-	3.90	225,000	-	-
2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total		<u>\$ 415,000</u>		<u>\$ 190,000</u>		<u>\$ 780,000</u>		<u>\$ 210,000</u>		<u>\$ 230,000</u>		<u>\$ 1,460,000</u>		<u>\$ 515,000</u>

See accompanying independent auditor’s report.

CITY OF OSKALOOSA

Schedule of Bond and Note Maturities - Continued

June 30, 2007

June 30,	General Obligation Bonds							Revenue Bonds and Notes						
	Industry Park Street Railroad Crossings, Downtown Streetscaping Issued December 6, 2006		Refunding General Obligation (Notes) Issued January 1, 2002		Refunding, Frankel Building, City Hall Improvements (Notes) Issued February 15, 2003		Total	Sewer Revenue Capital Loan Notes Issued March 1, 1994		Sewer Revenue Capital Loan Notes Issued February 16, 1996		Sewer Revenue Refunding Capital Loan Notes Issued November 27, 2002		
	Interest		Interest		Interest			Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount		Rates	Amount	Rates	Amount	Rates	Amount	
2008	3.70%	\$ 50,000	5.25%	\$ 175,000	2.60%	\$ 210,000	\$ 1,305,000	3.00%	\$ 82,000	3.00%	\$ 139,000	3.50%	\$ 165,000	
2009	3.70	155,000	5.50	165,000	3.00	210,000	935,000	3.00	85,000	3.00	144,000	3.75	170,000	
2010	3.70	165,000	-	-	3.30	215,000	810,000	3.00	89,000	3.00	148,000	4.00	175,000	
2011	3.70	170,000	-	-	3.50	120,000	740,000	3.00	93,000	3.00	152,000	4.15	180,000	
2012	3.70	175,000	-	-	-	-	645,000	3.00	97,000	3.00	157,000	4.30	165,000	
2013	3.70	185,000	-	-	-	-	585,000	3.00	101,000	3.00	162,000	-	-	
2014	3.70	190,000	-	-	-	-	615,000	3.00	106,000	3.00	167,000	-	-	
2015	3.75	205,000	-	-	-	-	555,000	3.00	111,000	3.00	172,000	-	-	
2016	3.80	210,000	-	-	-	-	210,000	-	-	3.00	177,000	-	-	
2017	3.85	220,000	-	-	-	-	220,000	-	-	3.00	181,000	-	-	
2018	3.90	230,000	-	-	-	-	230,000	-	-	-	-	-	-	
2019	-	-	-	-	-	-	-	-	-	-	-	-	-	
2020	-	-	-	-	-	-	-	-	-	-	-	-	-	
2021	-	-	-	-	-	-	-	-	-	-	-	-	-	
2022	-	-	-	-	-	-	-	-	-	-	-	-	-	
2023	-	-	-	-	-	-	-	-	-	-	-	-	-	
2024	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total		<u>\$1,955,000</u>		<u>\$ 340,000</u>		<u>\$ 755,000</u>	<u>\$ 6,850,000</u>		<u>\$ 764,000</u>		<u>\$ 1,599,000</u>		<u>\$ 855,000</u>	

See accompanying independent auditor’s report.

## CITY OF OSKALOOSA

## Schedule of Bond and Note Maturities - Continued

June 30, 2007

Revenue Bonds			
Sewer Revenue Bonds Issued December 6, 2002			
June 30,	Interest		Total
	Rates	Amount	
2008	3.00%	\$ 163,000	\$ 549,000
2009	3.00	168,000	567,000
2010	3.00	173,000	585,000
2011	3.00	179,000	604,000
2012	3.00	184,000	603,000
2013	3.00	189,000	452,000
2014	3.00	195,000	468,000
2015	3.00	201,000	484,000
2016	3.00	207,000	384,000
2017	3.00	213,000	394,000
2018	3.00	220,000	220,000
2019	3.00	226,000	226,000
2020	3.00	233,000	233,000
2021	3.00	240,000	240,000
2022	3.00	247,000	247,000
2023	3.00	255,000	255,000
2024	3.00	<u>257,000</u>	<u>257,000</u>
Total		<u>\$3,550,000</u>	<u>\$ 6,768,000</u>

See accompanying independent auditor's report.

## CITY OF OSKALOOSA

Schedule of Receipts by Source and Disbursements by Function -  
All Governmental Funds

For the Years Ended

	June 30,			
	2007	2006	2005	2004
Receipts:				
Property	\$ 3,880,396	\$ 3,953,084	\$ 3,635,079	\$ 3,538,506
Other City tax	1,643,292	1,631,480	1,735,966	1,601,922
Licenses and permits	229,410	226,789	186,466	171,987
Use of money and property	262,233	201,733	115,941	69,652
Intergovernmental	1,415,344	1,318,346	1,285,278	1,378,573
Charges for services	141,263	99,772	44,514	55,510
Special assessments	6,880	4,547	6,080	8,564
Miscellaneous	533,352	550,252	588,255	859,850
Total	<u>\$ 8,112,170</u>	<u>\$ 7,986,003</u>	<u>\$ 7,597,579</u>	<u>\$ 7,684,564</u>
Disbursements:				
Operating:				
Public safety	\$ 2,207,688	\$ 2,187,115	\$ 2,003,707	\$ 1,845,529
Public works	1,051,131	911,216	939,256	977,036
Culture and recreation	1,020,871	900,014	809,170	830,989
Community and economic development	1,664,419	1,584,287	1,586,488	1,429,596
General government	540,973	530,248	518,914	550,653
Debt service	1,629,279	1,651,904	1,621,126	1,455,698
Capital projects	479,296	1,499,891	880,326	787,059
Total	<u>\$ 8,593,657</u>	<u>\$ 9,264,675</u>	<u>\$ 8,358,987</u>	<u>\$ 7,876,560</u>

See accompanying independent auditor's report.

## CITY OF OSKALOOSA

### Miscellaneous Data (Unaudited)

June 30, 2007

Form of government	Mayor/Council
Area	7.4 square miles
Building permits, fiscal year ending June 30, 2007	
Permits issued	132
Estimated costs	\$14,967,123
Fire protection:	
Number of stations	1
Number of full-time fire fighters	8
Police protection:	
Number of stations	1
Number of full-time officers	17
Recreation:	
Number of parks	5
Number of acres	205
Number of swimming pools	1
Employees of City as of June 30, 2007	183
Schools:	
Public	3
Parochial	1
Population:	
1900	9,212
1910	9,466
1920	9,427
1930	10,123
1940	11,024
1950	11,124
1960	11,053
1970	11,224
1980	10,989
1990	10,600
2000	10,938





## MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
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West Des Moines, Iowa 50266

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with Government Auditing  
Standards**

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oskaloosa, Iowa as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 12, 2007. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Oskaloosa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe item II-A-07 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we expressed our conclusions on the City's responses, we did not audit the City's responses, and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Oskaloosa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Martens & Company, CPA, LLP*

West Des Moines, Iowa  
October 12, 2007

**CITY OF OSKALOOSA**

Schedule of Findings

Year ended June 30, 2007

**Part I: Summary of the Independent Auditor's Results:**

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency in internal control over financial reporting is disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

## CITY OF OSKALOOSA

### Schedule of Findings - Continued

Year ended June 30, 2007

#### **Part II: Findings Related to the Financial Statements:**

##### **INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

##### **SIGNIFICANT DEFICIENCIES:**

II-A-07     Segregation of Duties - A good internal control system contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. The two employees in the City Clerk's office collect cash receipts, record collections and maintain custody of collections until deposit. As a result, the City has an inadequate segregation of duties over cash receipts.

Recommendation - We recommend segregating the duties of collecting cash receipts and posting them to the general ledger.

Response - This recommendation is accepted. The City will look to realign and reassign duties where practical.

Conclusion - Response accepted.

## CITY OF OSKALOOSA

### Schedule of Findings - Continued

Year ended June 30, 2007

#### **Part III: Other Findings Related to Required Statutory Reporting:**

- III-A-07 Certified Budget - Disbursements during the year ended June 30, 2007 did not exceed amounts budgeted.
- III-B-07 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-07 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted. No travel advances to City officials or employees were noted.
- III-D-07 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name	Title	Business Connection	Transaction Description	Amount/ Gross	Exemption	Reason
Tim Besco	fire fighter	Besco Electric	electrical work	\$ 650	\$ 650	Chapter 362.5(10)
Steve Thomas	golf board member	sole proprietor	mowing services	1,275	1,275	Chapter 362.5(10)
Doug Van Roekel	reserve fire fighter	Van Roekel Appliance	appliance purchases	359	359	Chapter 362.5(10)
Jimmy Carter	council member	Carter Steel Supply	steel fabrications	1,200	1,200	Chapter 362.5(10)
Ron Padgett	water board member	Mr. Rooter, Inc.	sewer maintenance	4,425	1,500	Chapter 362.5(10)

Chapter 362.5 of the Code of Iowa prohibits transactions with a city officer that has an interest, direct or indirect, in any contract or job of work material or the profits thereof or services to be furnished or performed for the officer's or employee's city. A contract entered into in violation of this section is void. The provisions of this section do not apply if the purchases benefitting that officer or employee do not exceed a cumulative total purchase price of \$1,500. The contractual commitment with Mr. Rooter, Inc. Was awarded prior to Ron Padgett being appointed to the Water Board in July, 2006.

- III-E-07 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

## CITY OF OSKALOOSA

### Schedule of Findings - Continued

Year ended June 30, 2007

#### **Part III: Other Findings Related to Required Statutory Reporting - Continued:**

- III-F-07 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. The City published the minutes of the Council proceedings as required by Chapter 372.13(6) of the Code of Iowa.
- III-G-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-H-07 Revenue Bonds - The City established the sinking and reserve accounts required by the sanitary sewer bonds resolution.
- III-I-07 Payment of General Obligation Bonds - General obligation bond payments were paid from the Debt Service Fund in compliance with Chapter 384.4 of the Code of Iowa.
- III-J-07 Economic Development - We noted no instances of noncompliance with the public purpose provisions of Chapter 15A of the Code of Iowa pertaining to economic development.
- III-K-07 Notice of Public Hearing for Public Improvements - We noted no instances of noncompliance with the Chapters 384.102 and 362.3 of the Code of Iowa.
- III-L-07 Sales Tax - We noted no instances of noncompliance with Sections 701-26.71 and 701-26.72 of the Iowa Department of Revenue and Finance Administrative Rules and Regulations.
- III-M-07 Financial Condition - The City operates on the basis of cash receipts and cash disbursements; therefore, fund balances are not applicable. However, the following funds had a deficit balance as of June 30, 2007:

Special revenue, 2007 Disaster Relief	\$ (117,161)
Enterprise:	
Edmundson Golf Course	(10,110)
Stormwater	(41,637)
Internal Service Fund:	
Copier/Fax Revolving	(232)

Recommendation - The City should investigate alternatives to eliminate the deficits in order to return the funds to sound financial position.

## CITY OF OSKALOOSA

### Schedule of Findings - Continued

Year ended June 30, 2007

#### **Part III: Other Findings Related to Required Statutory Reporting - Continued:**

Response - The 2007 Disaster Relief Fund deficit balances will be eliminated with revenues from FEMA. For the Edmundson Golf Course, the Golf Board is investigating the current rate structure to offset the losses in the next two to three years and, in addition, has reduced spending. The Stormwater Fund was a new fund in fiscal year 2006 and the deficit cash balance is expected to be eliminated by the collection of storm water utility fees starting in July, 2007.

Conclusion - Response accepted.